

World Bank-Hitotsubashi-MOF Workshop on  
**“Closing the Coverage Gap: The Role of Social Pensions”**  
February 20-22, 2008

## **Measuring the coverage of formal old-age income protection systems around the world**

---



Montserrat Pallares-Miralles  
Social Protection Specialist  
HDNSP, The World Bank



# Outline of the presentation

---

- **Section I.** Data limitations, misconceptions, and selection criteria for measuring coverage
- **Section II.** Some results on population and labor force data in the world
- **Section III.** Some results on coverage of mandatory pension systems data in the world



# Section I

---

- **Data limitations, misconceptions, and selection criteria for measuring coverage**
  
- **Various difficulties in providing comparable international statistics**



# Main sources of data

---

➤ **Main sources:**

- Administrative data from national social security and statistical institutions:

- a) annual, and other published reports
- b) databases

- Household and labor force surveys

➤ **International institutions:**

- ADB (Asian Development Bank)
- ILO (International Labor Force)
- IMF (International Monetary Fund)
- ISSA /SSA (International Social Security Administration / Social Security Administration US)
- OECD
- WHO (World Health Organization)



# Main data constraints

---

➤ **Availability and quality of data:**

- Lack of capacity and resources on the national level
- Lack of collection and aggregation mechanisms at the national level
- Missing or wrong information of individual records
- Lack of information on the people that are not covered
- Corruption, evasion, and abuse of the systems

➤ **Concepts and definitions**

- Labor force
- Active members
- Beneficiaries




# Some problems with concept definitions (labor force data)

---

## **Variations in national definitions of labor force concept:**

- Differences in the exclusion and inclusion of rural areas
- Different considerations of contributing 'family workers'
- Different considerations of unemployed not looking for work
- Differences in age limits used in measuring the economically active population
- Different treatment of emigrants
- Different ways of defining "informal labor force"



# Some problems with concept definitions (pensions data)

---

➤ **From the active population side:**

- Contributor vs non-contributor
- Contributor vs active member
- Active contributor vs pasive contributor (dormant accounts, affiliates...etc)

➤ **From the pasive population side:**

- Beneficiary type: old-age, disability, survivors, and others
- Number of benefit payments vs number of beneficiaries
- Possibility of various benefits for one individual from one institution
- Possibility of various benefits for one individual from various institutions (particularly for civial servants or other special schemes)
- Non-contributory pensions
- Regular payments vs lump-sum payments, and/or benefits in kind



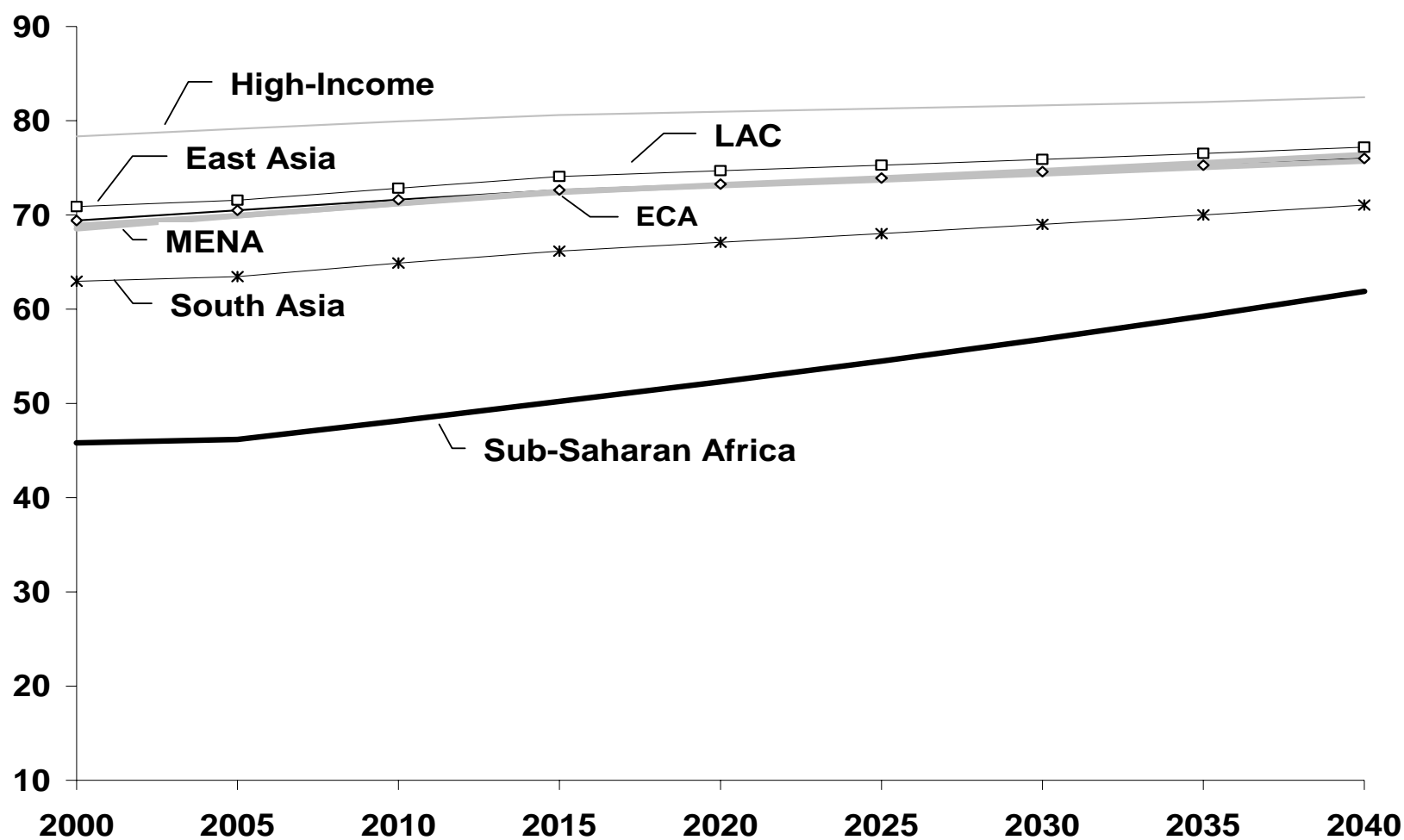
## Section II

---

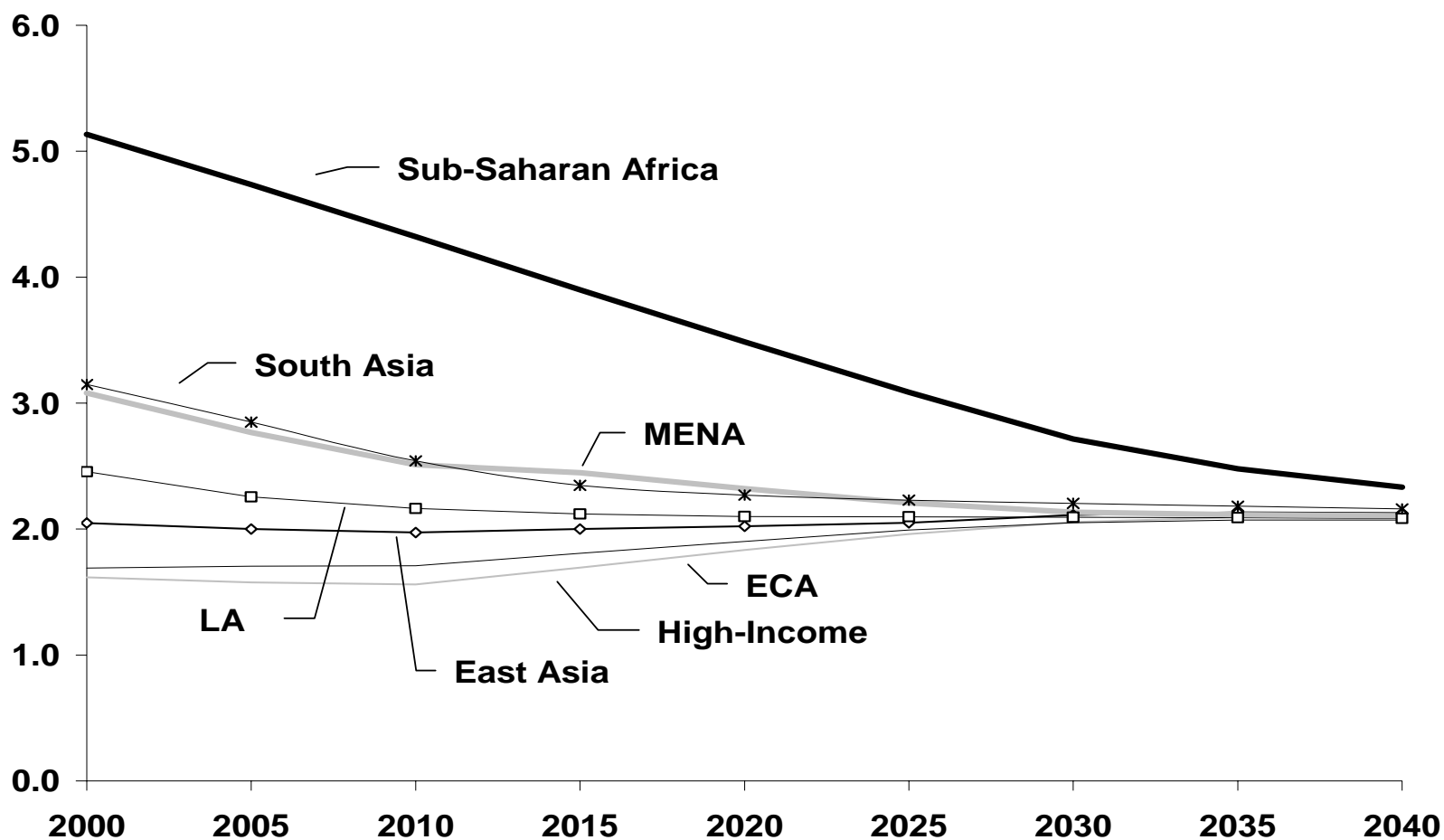
**Some results on population (rapid population ageing), and labor force data in the world**



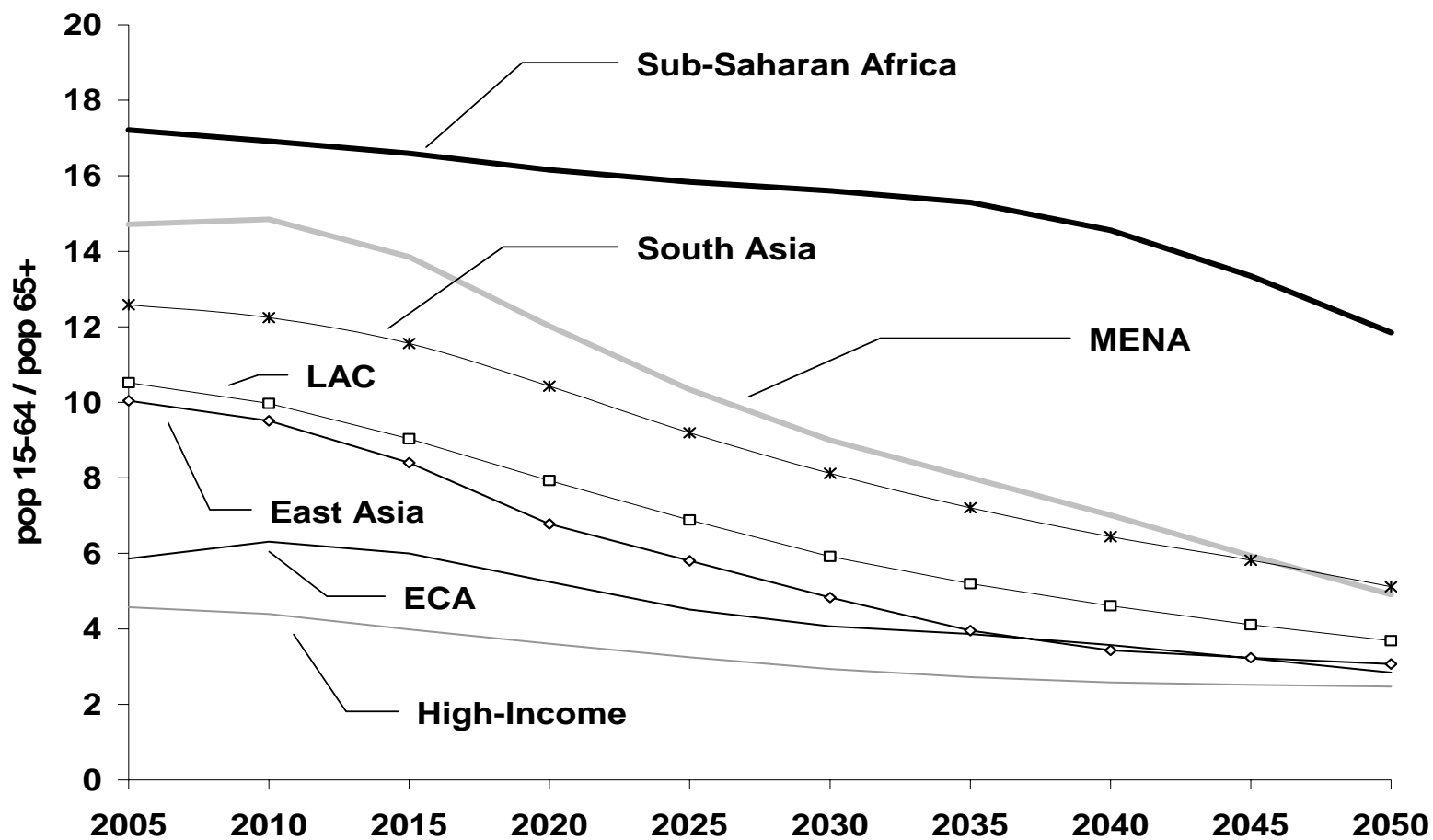
# Average projected life expectancy at birth by region



# Average projected fertility rates (birth per women), by region

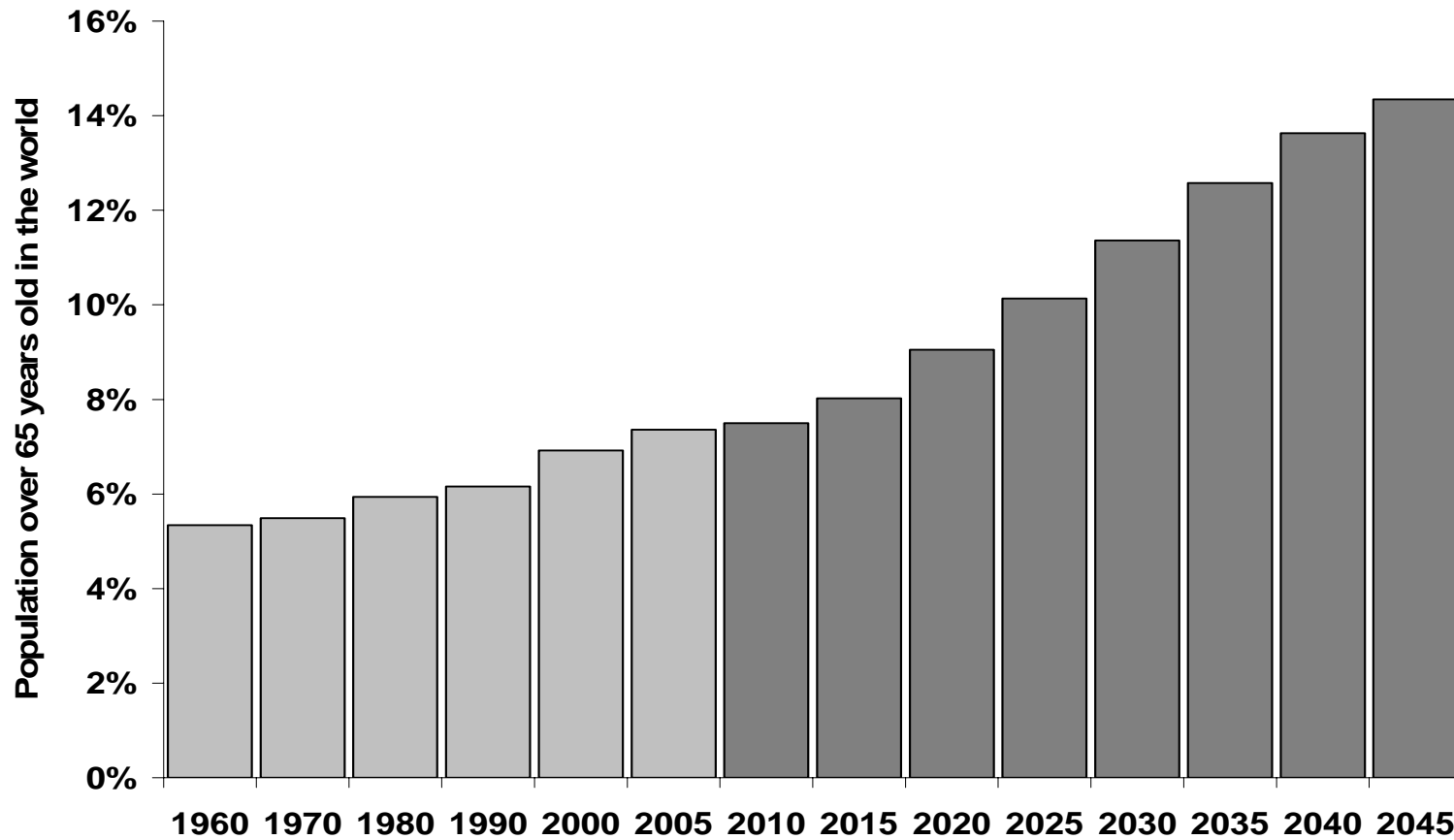


# Projected support ratios ( population 15-64 / population 65+ ), by region



# Population over 65 years old in the world ( past, present, and projected )

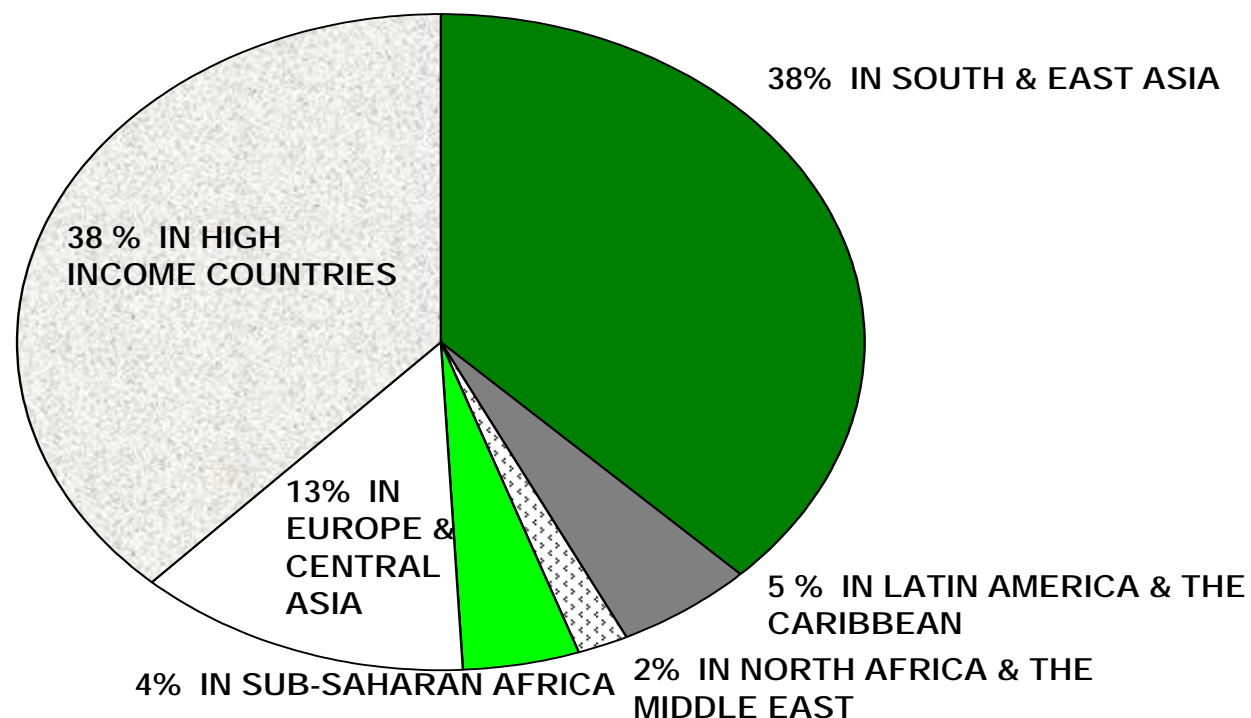
---



# Population over 65 years old in the world ( 1960 )

---

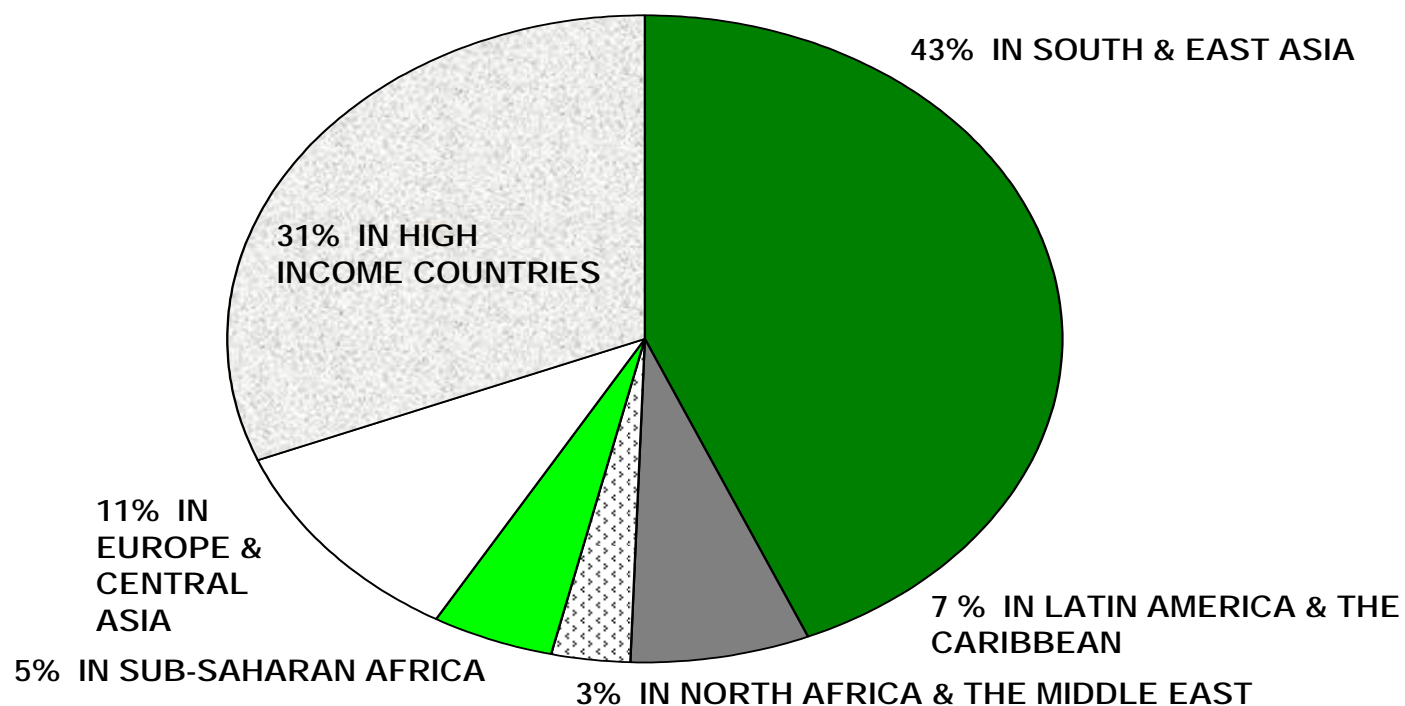
Where were the elderly in the world in 1960 ?



Note: high income economies in the regions are included in the high income group of countries. The regions only include low and middle income countries, according to WB definition.

# Population over 65 years old in the world ( 2005 )

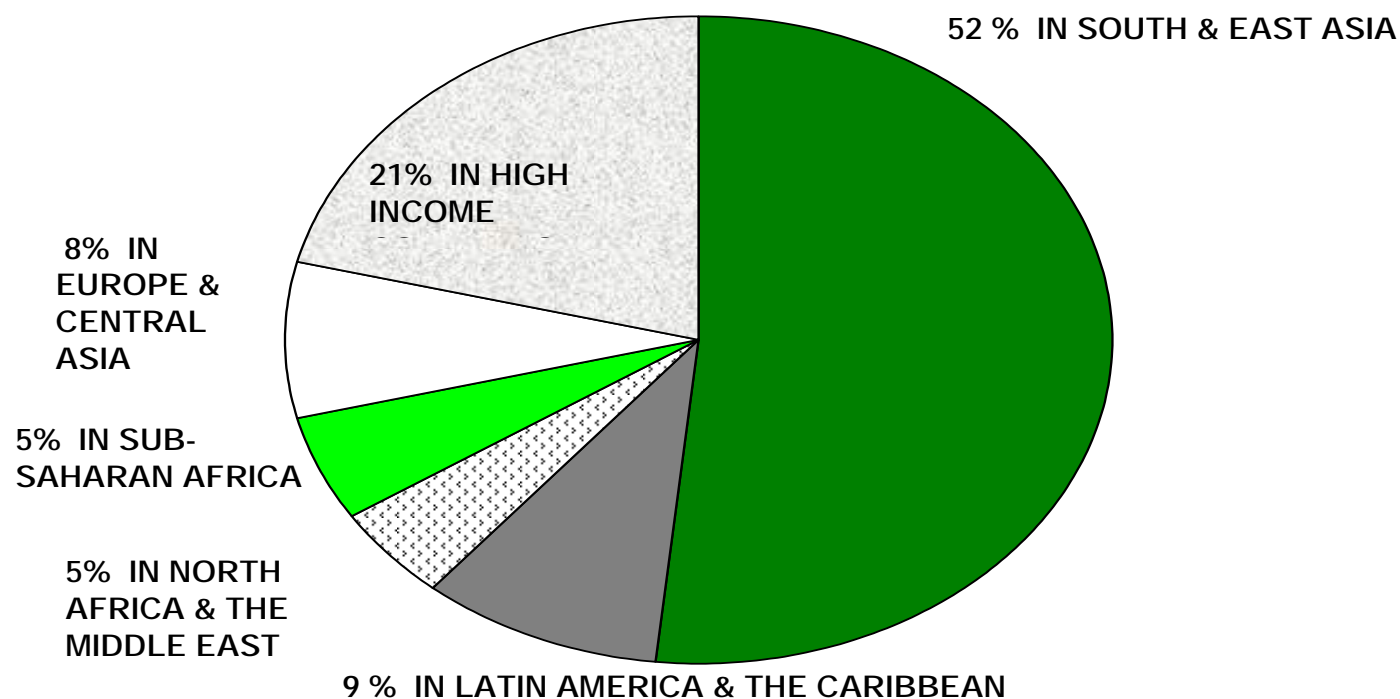
Where are the elderly now ?



Note: high income economies in the regions are included in the high income group of countries. The regions only include low and middle income countries, according to WB definition.

# Population over 65 years old in the world ( projected 2045)

Where are the elderly projected to be in the future?

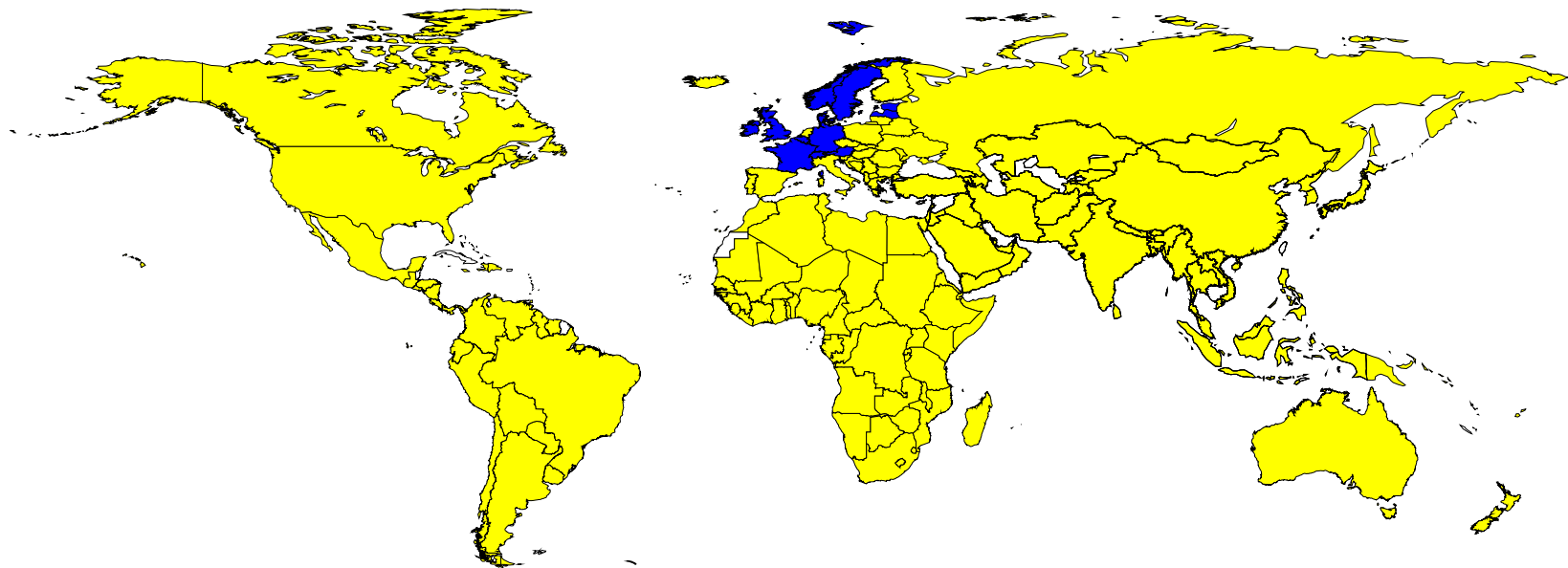


Note: high income economies in the regions are included in the high income group of countries. The regions only include low and middle income countries, according to WB definition.

# Percentage of the population over 65 years old (1960)

---

1960



Percentage of Population over 65 Years of Age

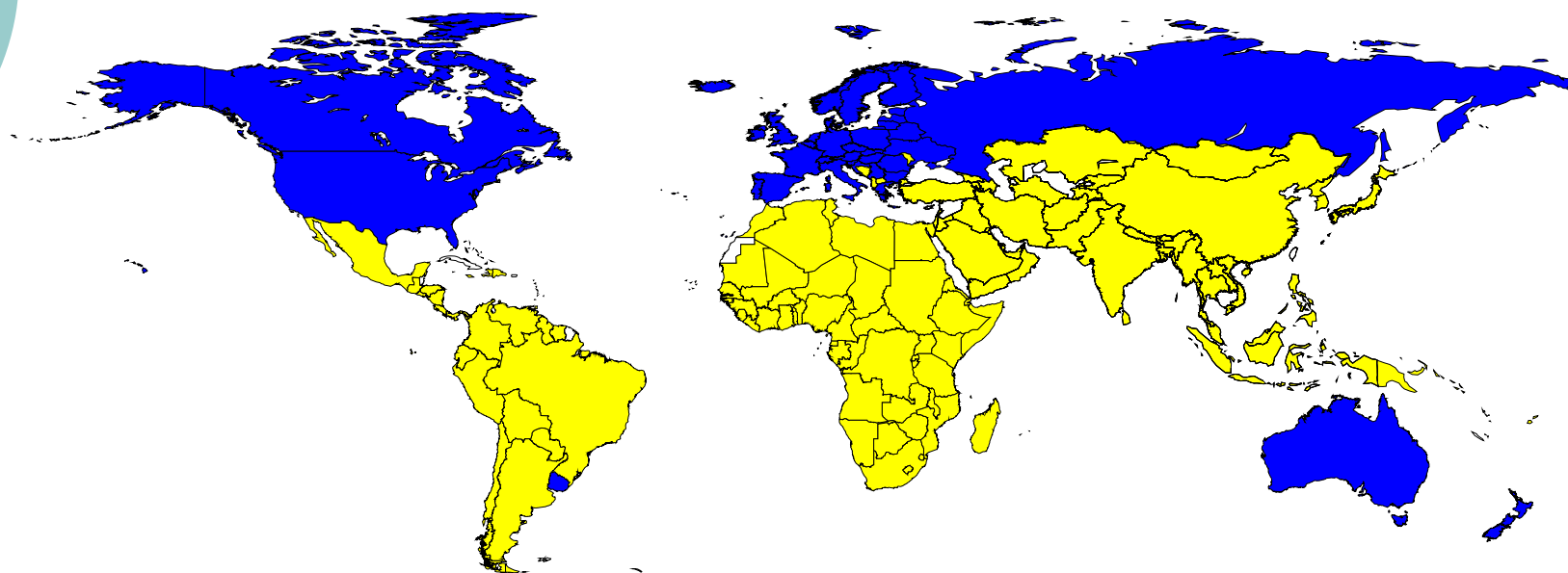




# Percentage of the population over 65 years old (1980)

---

1980



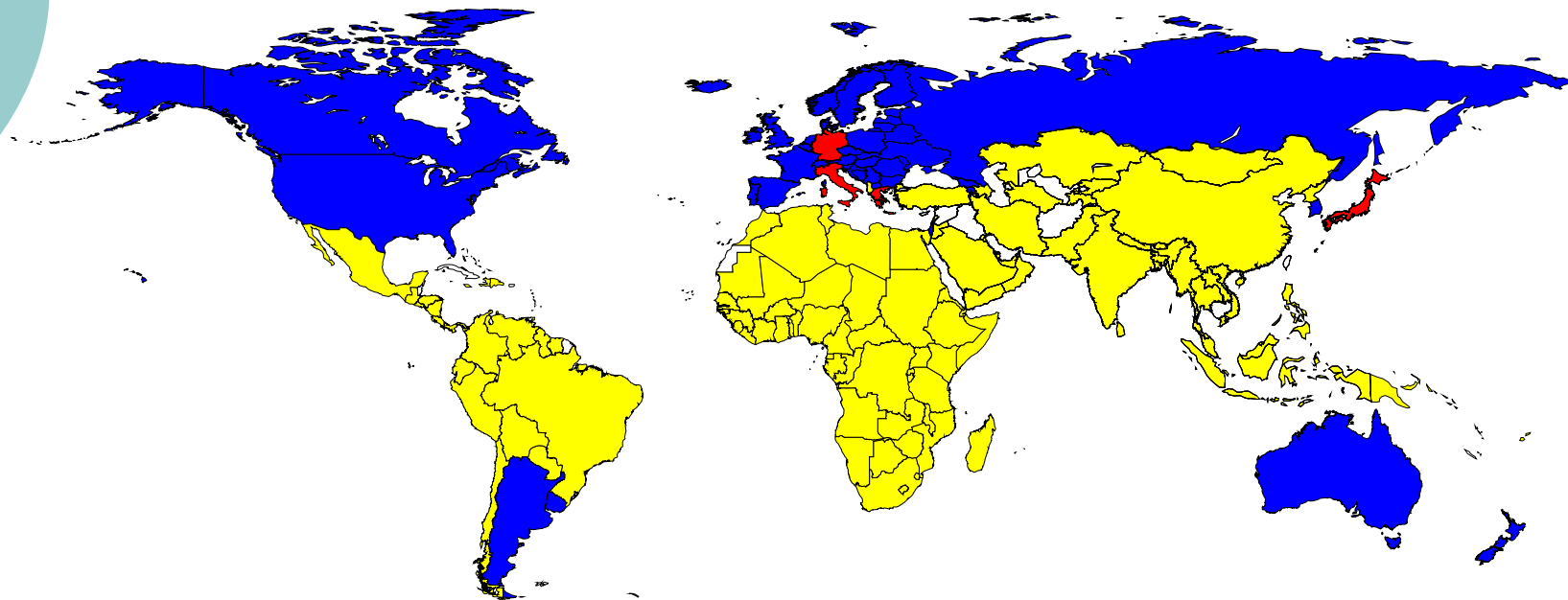
Percentage of Population over 65 Years of Age



# Percentage of the population over 65 years old (2005)

---

2005



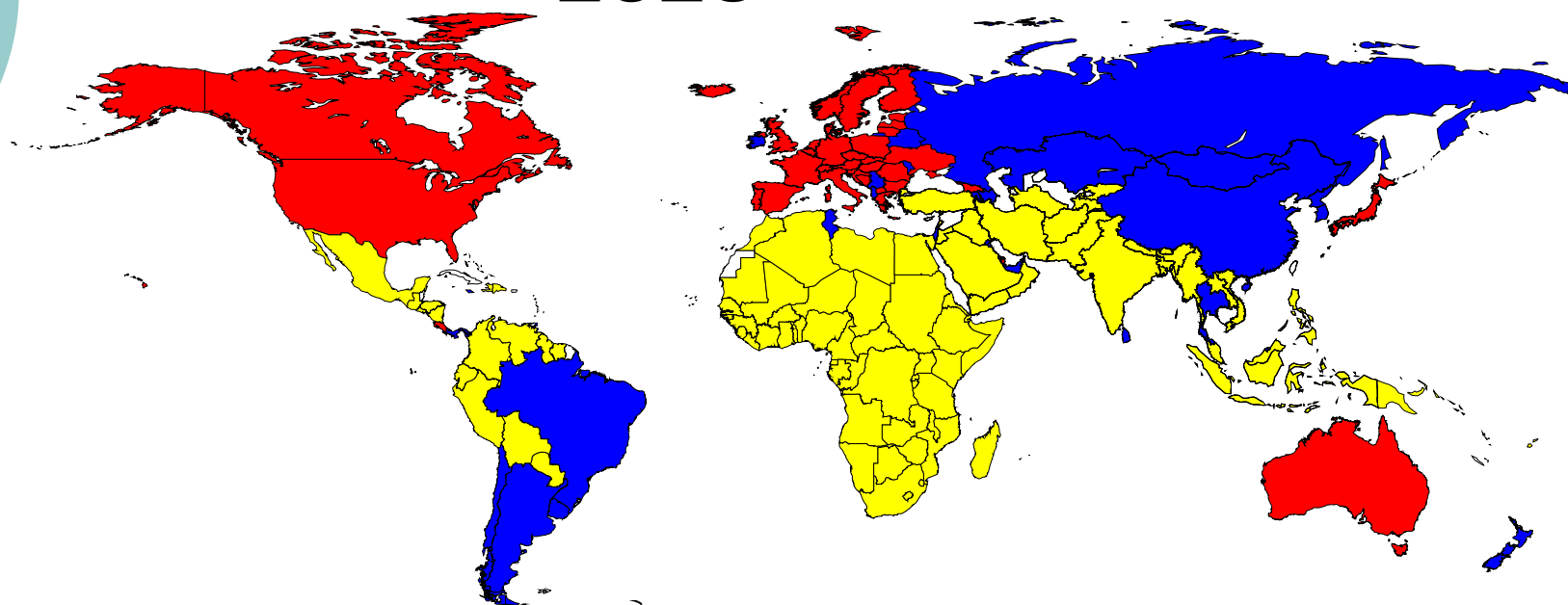
Percentage of Population over 65 Years of Age

- 1 to 9
- 9 to 18
- 18 to 26

# Percentage of the population over 65 years old (2025)

---

2025

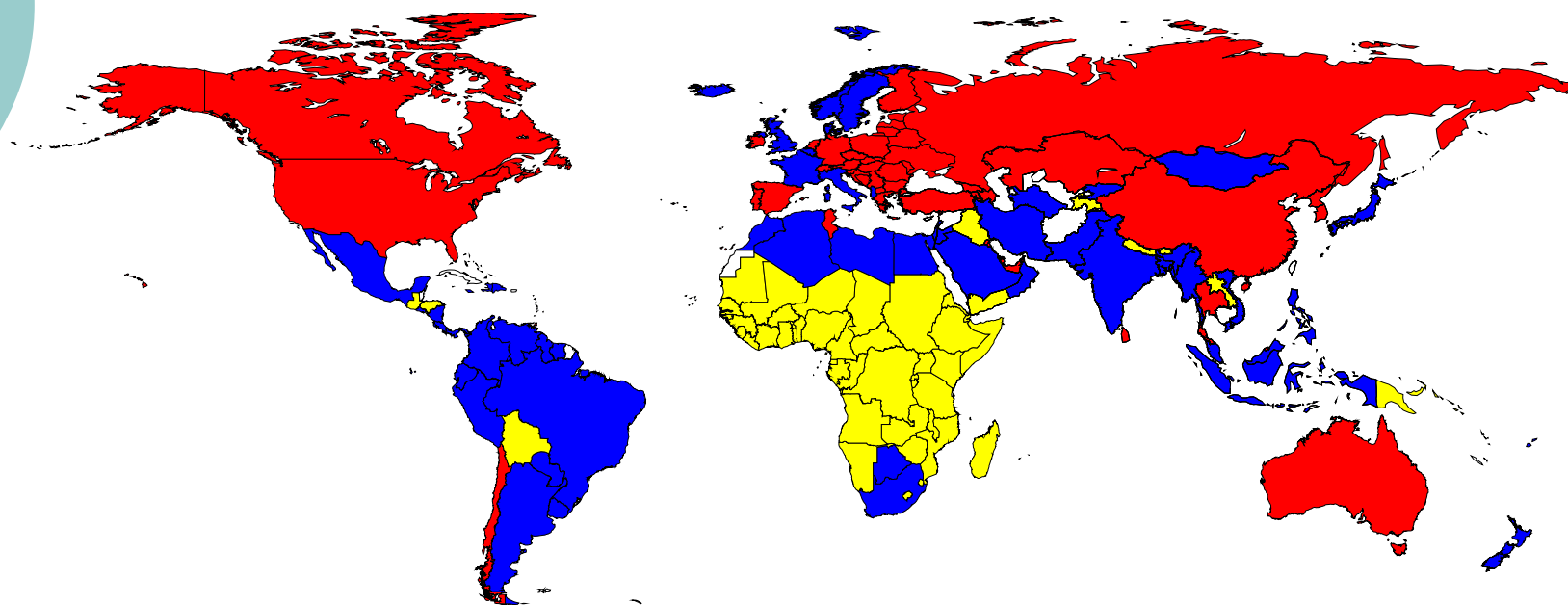


Percentage of Population over 65 Years of Age



# Percentage of working age population (15-64), (2005)

---

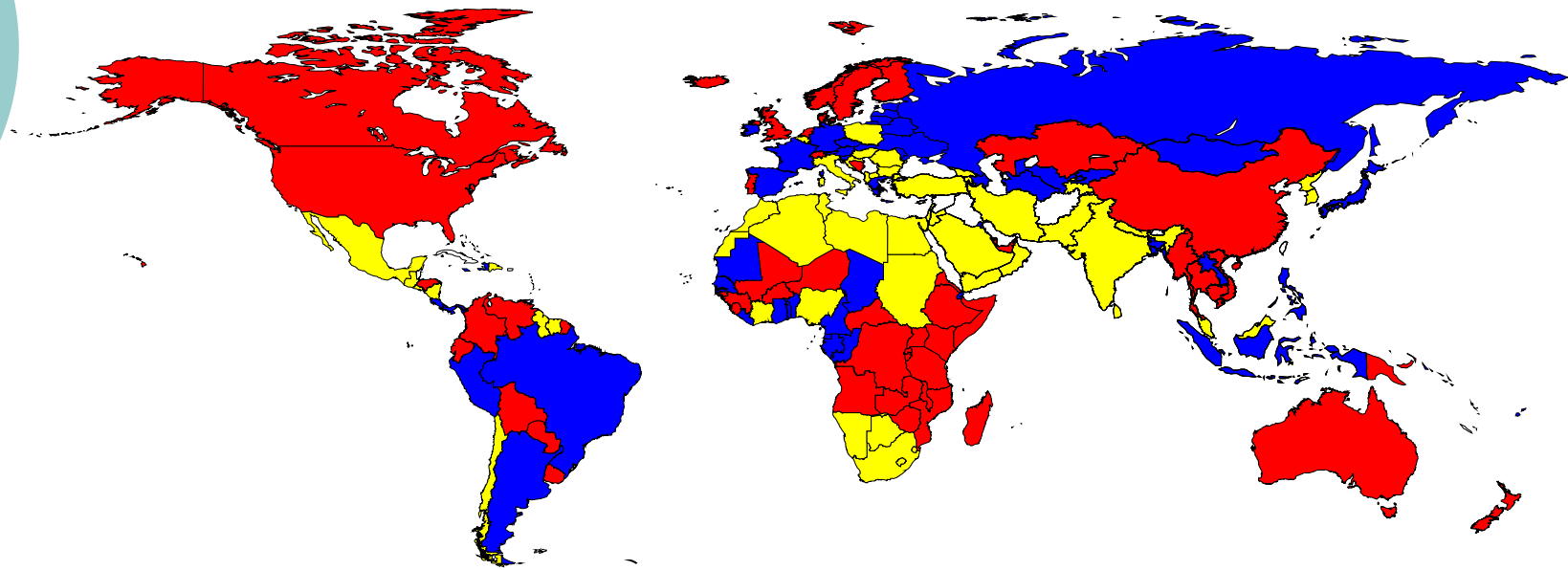


Percentage of working age population (15-64 )

- 0 to 58
- 58 to 67
- 67 to 100

# Total labor force participation rates (2005)

---

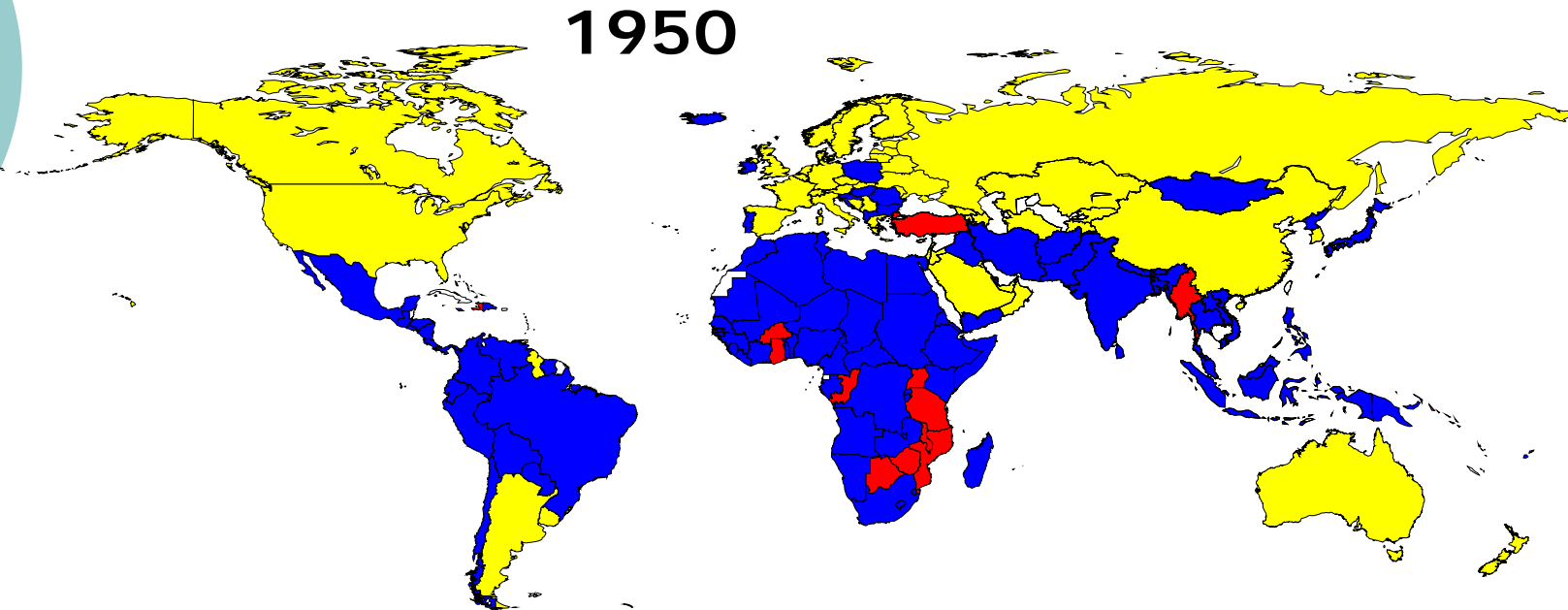


## Labor Force Participation Rates

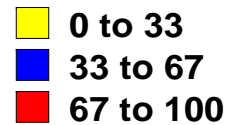
- 30 to 67
- 67 to 74
- 74 to 100

# Labor force participation rates of the elderly -people over 65 (1950)

---



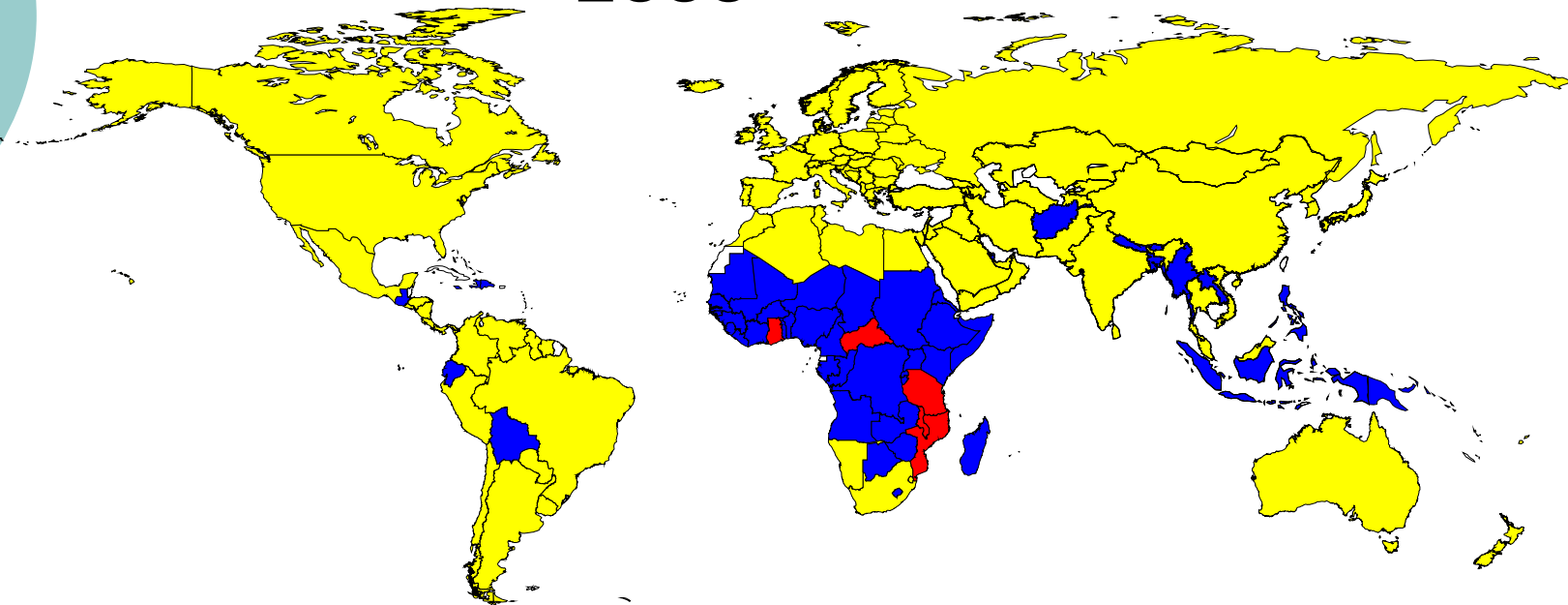
Labor force participation rates (%) of people over 65 years of age



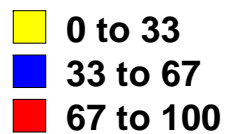
# Labor force participation rates of the elderly - people over 65 (2000)

---

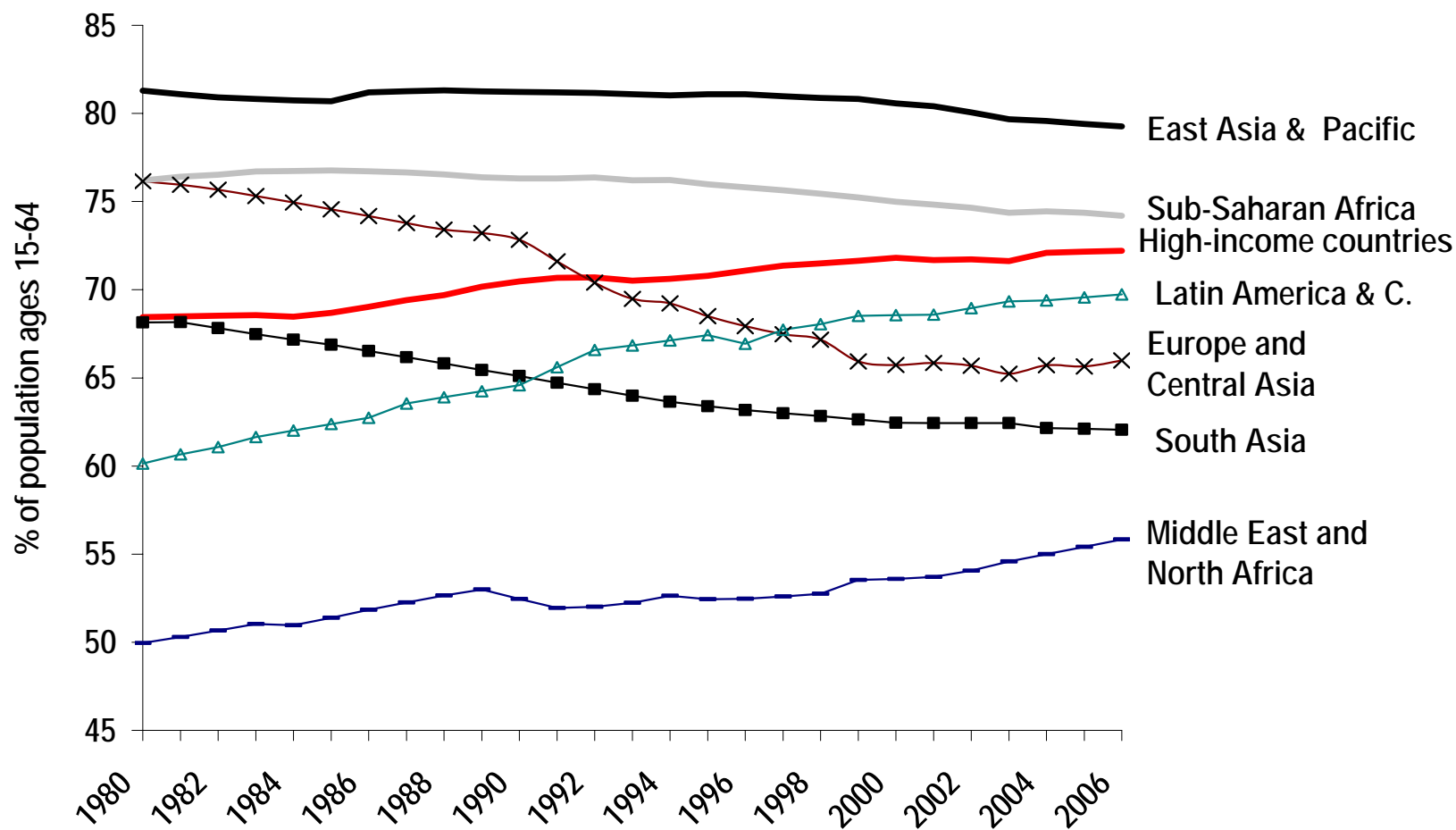
2000



Labor force participation rates (%) of people over 65 years of age

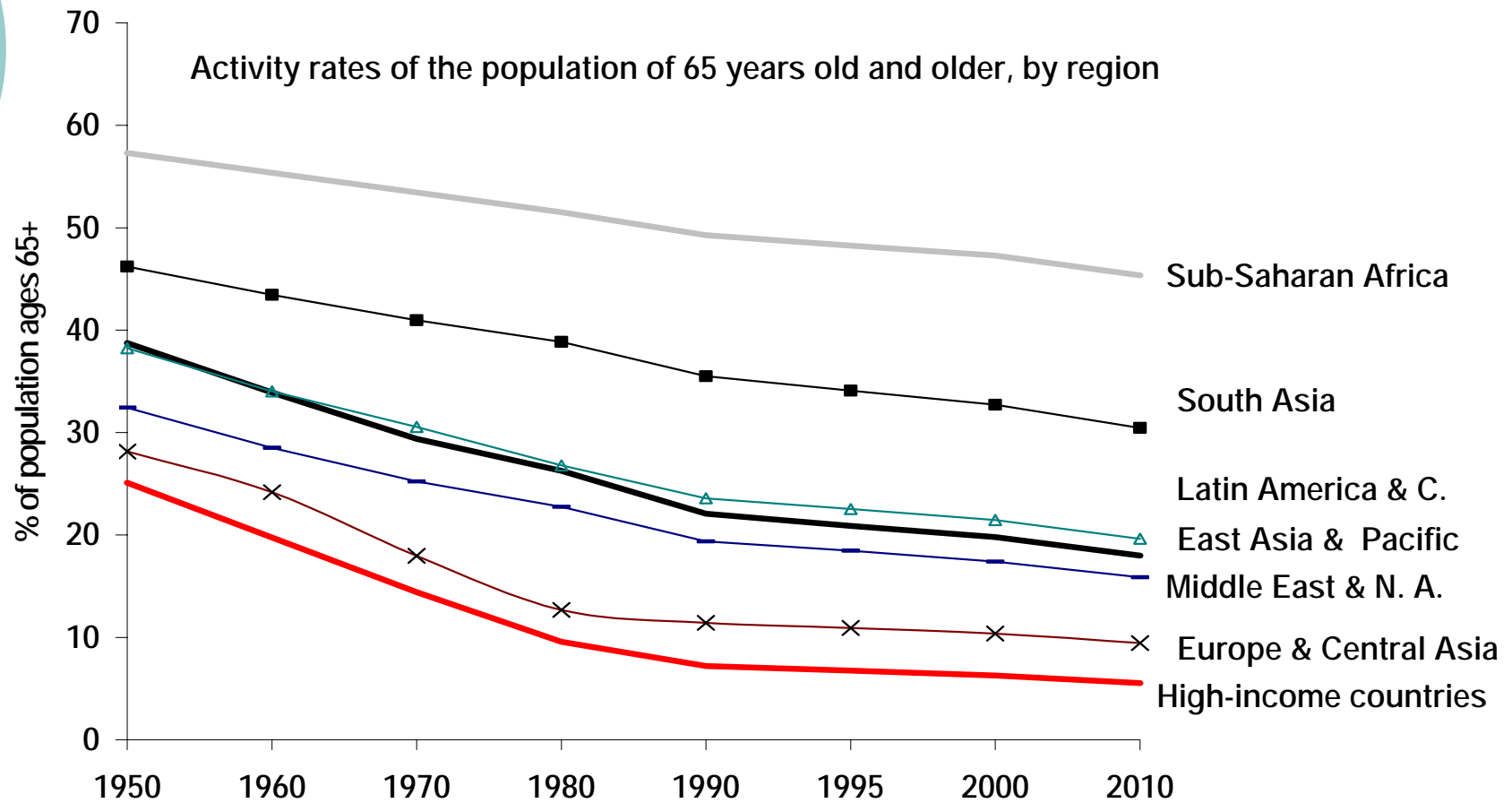


# Evolution of total labor force participation rates (1980-2006)





# Labor force participation rate of the elderly (1950-2010)



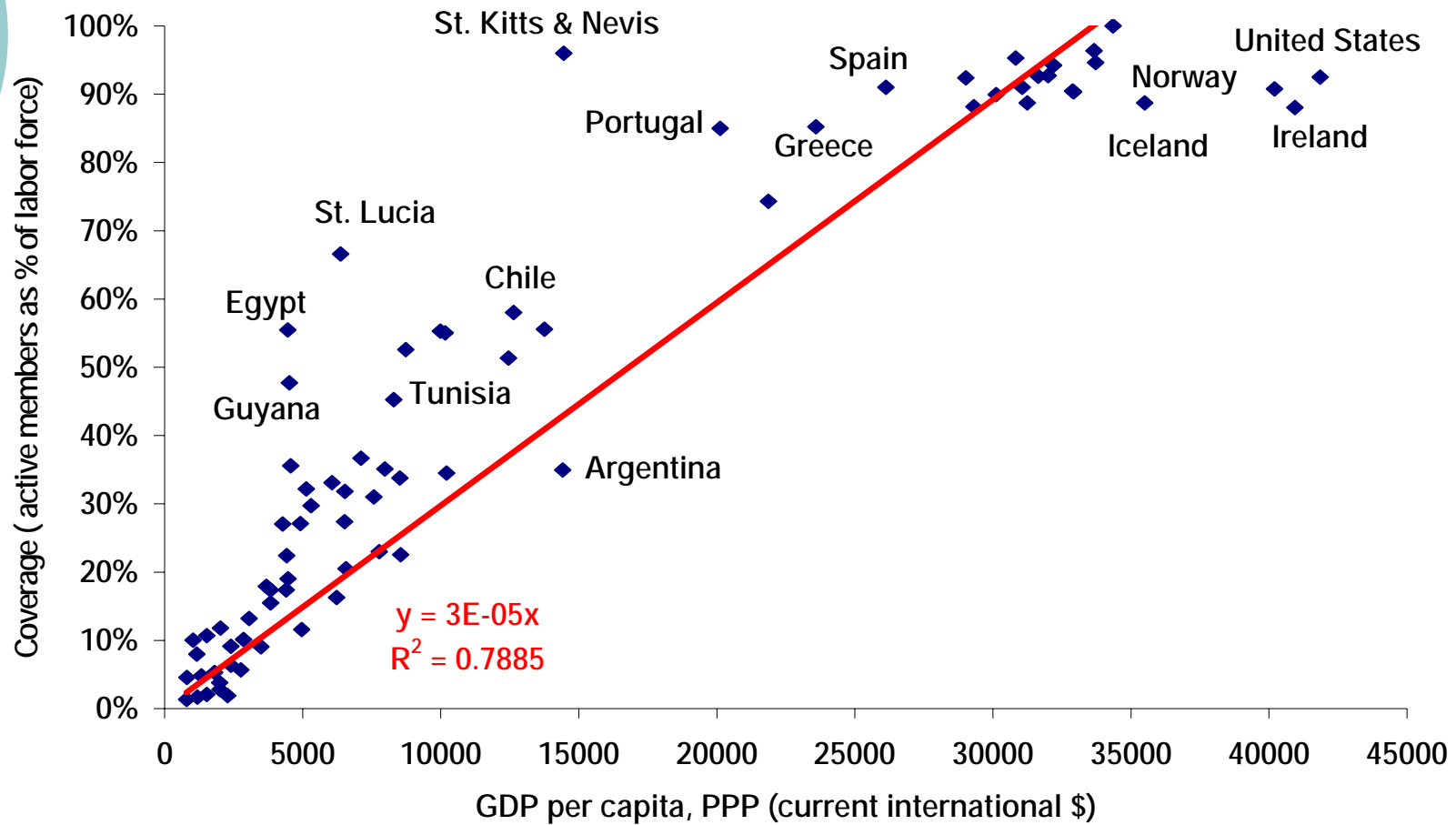



## Section III

---

**Some results on coverage of mandatory pension systems in the world**

# Relationship between coverage (active members / labor force), and income per capita





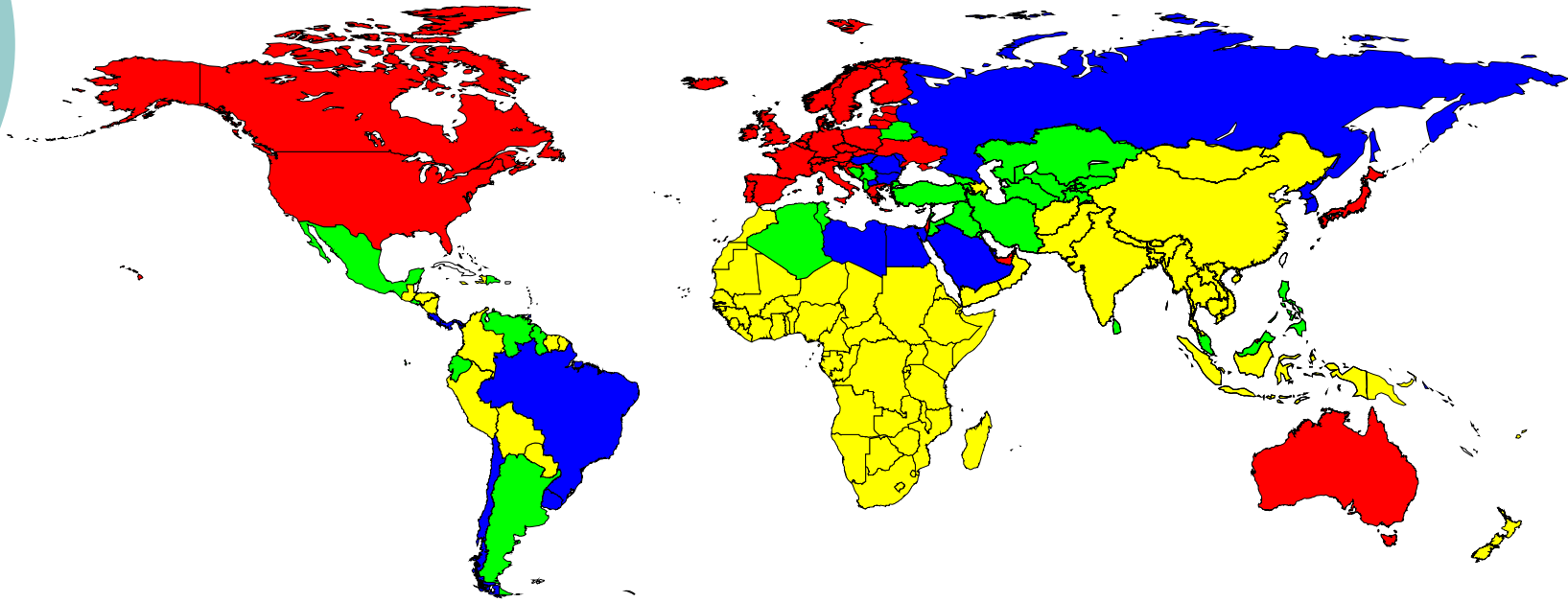
## How many people are really covered by formal old-age income protection systems ?

---

- Pension systems do not reach most of the vulnerable people in the world
- Less than 30 percent of the labor force population in the world is covered
- Less than 20 percent of the elderly in the world are covered
- Most covered people are in formal sector (big companies and public sector). Very low coverage in rural sector and for self-employed, women, and low-income workers
- Coverage has been quite constant , or has even decreased in some countries, particularly in the ECA region ( what drives the informal sector is likely to drive pension coverage )

# Coverage I. Active members of mandatory pension systems as % of labor force

---

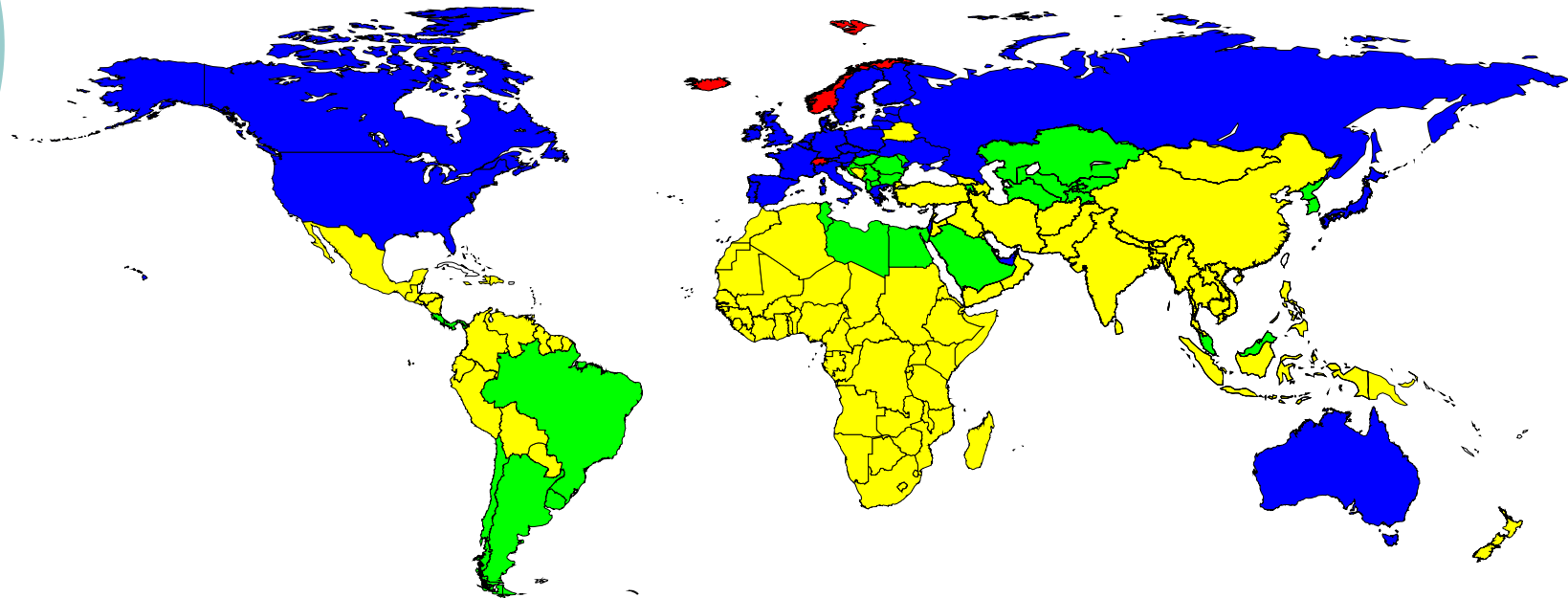


Coverage (active members / labor force)

- 0 to 25
- 25 to 50
- 50 to 75
- 75 to 100

## Coverage II. Active members of mandatory pension systems as % of pop. 15-64

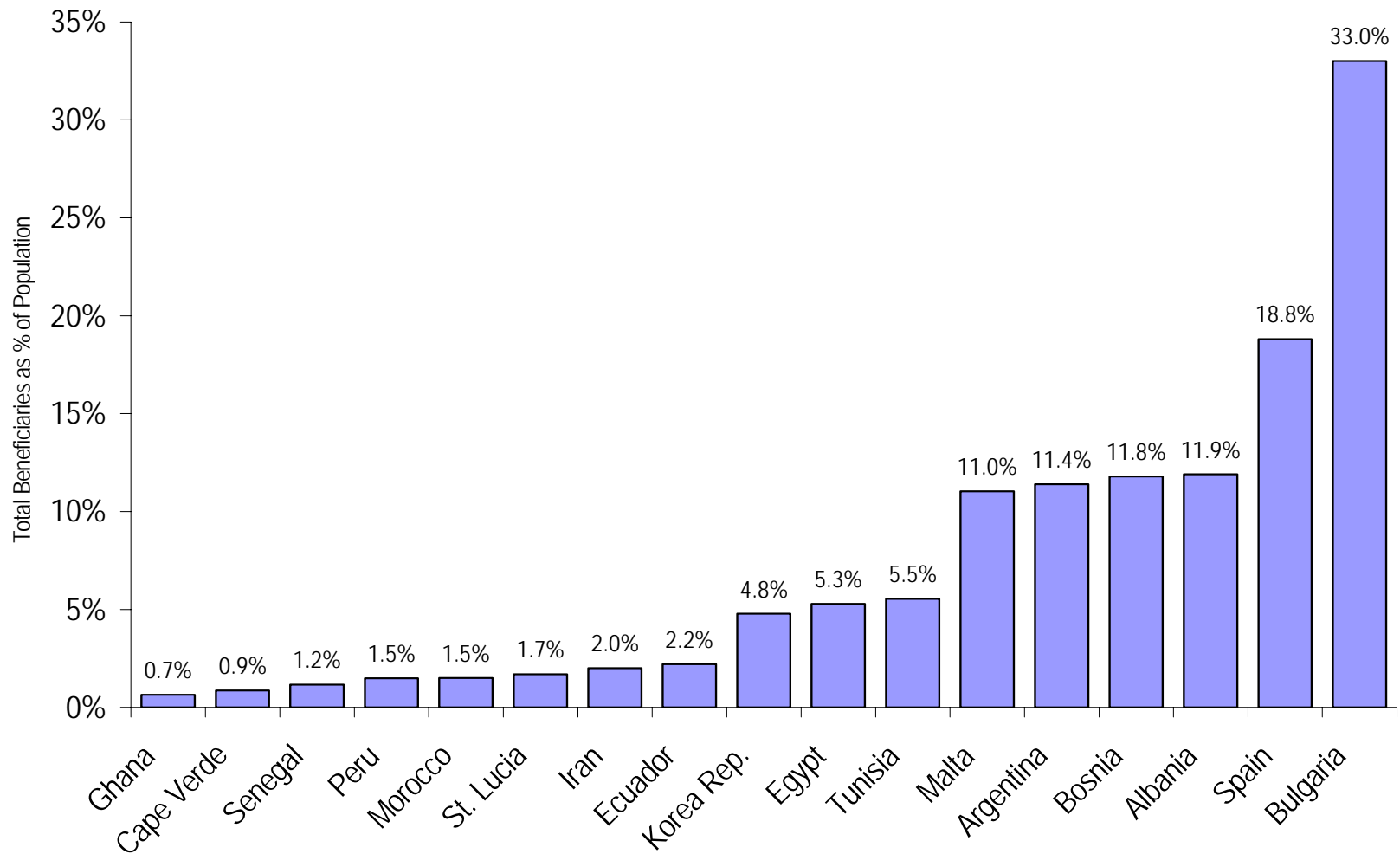
---



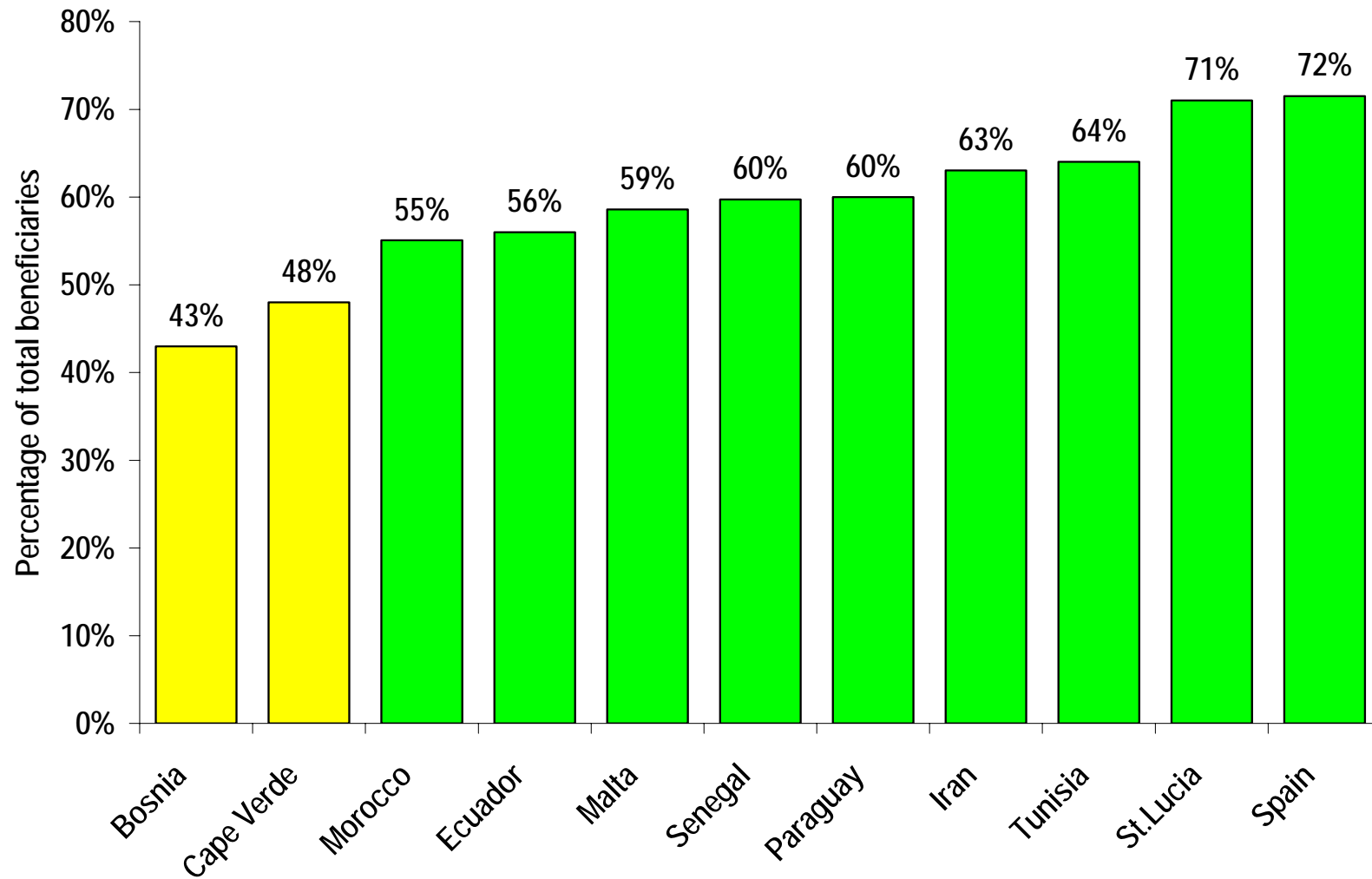
Coverage (active members / working age population )



# Number of total beneficiaries as % of population, country cases



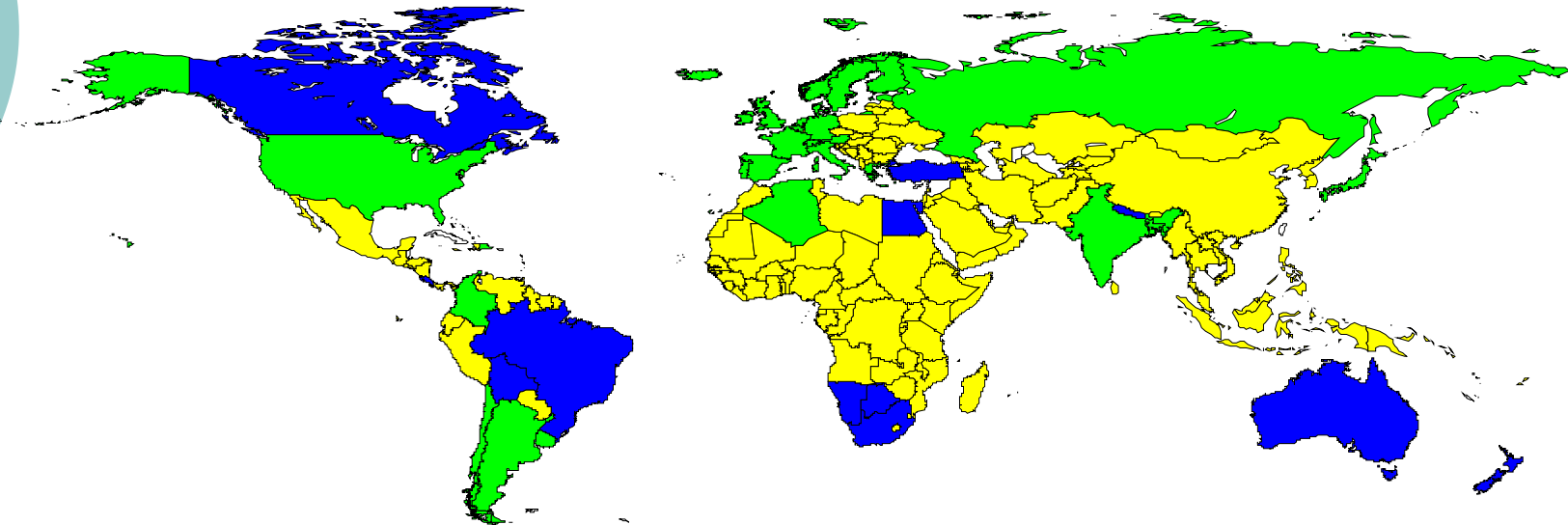
## Old Age beneficiaries (as % of total beneficiaries), country cases





# Social pensions in the world

---



Impact Index: recipients as % of 65+ pop, multiplied by benefit as % of income per capita  
("All others" indicates countries with non-existent social pensions, or no information)

- 0.001 to 0.021
- 0.021 to 0.300
- All Others



## Needs / objectives

---

- Collection, storing, and dissemination, on a regular and sustainable basis, comparable statistics on social insurance systems
- Provision of basic qualitative and quantitative information in order to improve the quality of data and to facilitate analyses
- Improve statistical knowledge base on social security on the national and international level
- Improved capacity of member organizations to work towards the extension of social security coverage
- Further research to produce a reliable estimation of coverage indicators



# Conclusions

---

- Data is needed and important in order to do well informed policy decisions (efficient international data collection through interagency co-operation should be increased)
- Coverage of mandatory pension systems is still very low, particularly in the regions of south Asia, and sub-Saharan Africa were less than 10 percent of the labor force are covered
- Some of the issues that explain the low coverage are: the high cost of joining the formal sector, “contributions” are perceived as taxes, and schemes are poorly designed and managed
- Given the current estimates of low coverage, and ageing populations, more social pensions and further alternatives of formal old-age income protection measures should urgently be considered